

Information

Internal Reallocation and Financial Incentive Strategy

Effective

July 1, 1993

Number

BFP 004

Applicability

This policy applies to Deans, Vice Presidents, and Lead Fiscal Officers.

Administrative Authority

Vice President for Finance and Chief Financial Officer

Responsible Unit

Budget and Financial Planning
Grawemeyer Hall, Room LL20
2301 S. Third Street
Louisville, KY 40208
502-852-6166
budgets@louisville.edu

History

Revision Date(s): August 2004
Reviewed Date(s): July 1, 2016; August 2004

Categories

Reason for Policy:

This policy allows for all academic and support units of the University, who meet the annual requirements of this initiative, to carryover their general fund surpluses. The policy also intends to dissuade units from over spending expenditure budgets, thus causing operating deficits. The intent of this policy is to provide additional fiscal flexibility and reward good fiscal management by allocating year-end surpluses to the operating units which generate them.

Statement:

The following policy applies to the treatment of year-end balances for general fund programs only. It is intended to serve as a general guideline and as an incentive for accountability and sound fiscal management by heads of major budgetary units.

Year-end Surplus/Deficits: For those units that end the year with an overall general fund surplus, an amount equal to 100%, except as determined by university leadership, of the surplus will be carried forward to the following year's budget as an allocation of one-time funds. These funds will be allocated to specific holding programs to be administered by either the respective Vice President, in the case of the support units, or Dean in the case of the academic units. The carryover funds must be used for high priority unit purposes, and may include hiring temporary personnel, increases in operating expenses, start-up packages, travel, or the purchase of capital items. None of the funds, however, may be used to hire additional permanent personnel or create continuing annual requirement (CAR) obligations beyond the fiscal year. Deans and Vice Presidents may choose to return a portion of the funds carried forward to the departments or programs generating the savings, consistent with unit strategic priorities. Units are expected not to incur operating budget deficits. Units that overspend their general fund budget and end the year with an overall deficit will be required to cover 100% of the deficit from reductions in the next year's budget. This deficit recovery normally will be accomplished in the first quarter of the new fiscal year.

The Office of the President, assisted by the Office of Budget and Financial Planning

staff, shall determine whether the amount of the central general fund surplus is sufficient to meet year-end funding requirements. If not sufficient, appropriate additional annual unit contributions may be required. This can be from unit carry-over or other funds as deemed appropriate by the unit head.

Exclusions: Selected general purpose programs which are university-wide in nature will be excluded in the calculation of the general fund surplus. These are:

- a. University-wide financial aid programs (non-unit specific).
- b. Central university departments, which are university-wide in nature.
- c. Service center programs.

University-wide financial aid programs (non-unit specific).

Central university departments, which are university-wide in nature.

Service center programs.

Definitions:

For purposes of this policy, an academic unit is defined as a college, school, or stand-alone academic division or program. A support services unit is defined as the combined departments, offices, and activities reporting either to the President, Provost, or a Vice President.

For purposes of this policy, year-end balances are the residual funds remaining after fiscal close as calculated by the Office of the Controller.

Procedures:

After closing the books at fiscal year-end and after all post-closing adjustments are made, the Office of the Controller will prepare a comprehensive report of year-end balances for all selected general fund programs. This report will be prepared in VP

code sort sequence to group all of the programs falling under the operational control of the President, Provost, Vice Presidents, and Deans respectively.

The Office of the Controller will review the report for classification accuracy and completeness, and make any year-end post-closing adjustments they deem necessary.

The Office of Budget and Financial Planning will review the adjusted year-end report to ensure that both financial and programmatic considerations of this policy have been met.

Business managers of the units will receive a final version of the year-end balance report including post-closing adjustments. The units will be given one month to verify the published figures and request adjustments and/or changes. Units contesting reported figures from the University's financial system, or postclosing adjustments, shall discuss these with the Office of the Controller.

An executive summary report of adjusted year-end balances will then be sent to the Office of the President for overall management review. The summary report will show the overall year-end surplus, or deficit, in the major budgetary areas of each unit and for the University.

Once the year-end summary report has been reviewed and approved by the Office of the President, the year-end surplus, or deficit, for each Vice President and Dean shall be carried forward into the new year budget. These carryover amounts will be budgeted to the special discretionary fund assigned to each Vice President or Dean.

Vice Presidents and Deans will use their discretionary programs as temporary depositories for the carryover funds; that is, no expenditures may be made directly to these programs. Instead, units must transfer the funds to a regular general fund operating program of their choice in order to make programmatic expenditures.

Vice Presidents and Deans may request that accumulated surpluses be transferred to a University Plant Fund program to be utilized for capital acquisitions or renovations. Requests shall be made in writing and sent to the Office of Budget and Financial Planning for verification that the transfer is appropriate for the University Plant Fund. Once approved, the Office of the Controller will make the necessary

transfer of funds to the University Plant Fund.

This policy is implemented effective July 1, 1993. That is, units will be permitted to carryover year-end fund balances from the 1993-94 fiscal year.